

1500 FLEET CENTER
PROVIDENCE, RHODE ISLAND 02903
401 274-2000

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HINCKLEY, ALLEN, SNYDER & COMEN

Attorneys at Law

1 5886
RECORDATION NO. 5886

October 20, 1988

OCT 21 1988 2 25 PM

Interstate Commerce Commission
Room 2303
12th & Constitution Avenue NW
Washington, DC 20423
Attn: Mildred Lee

INTERSTATE COMMERCE COMMISSION

No. 8-295A033

Date OCT 21 1988

Fee \$ 13.00

OCT 21 2 30 PM '88
MOTOR CARRIER DIVISION
1000 P. O. BOX 1000
WASHINGTON, D. C. 20590

Dear Ms. Lee:

ICC Washington, D. C.

Enclosed for recordation pursuant to the provisions of 49 U.S.C. §11303 are an original and one copy of a Security Agreement dated October 20, 1988, a Primary Document as defined in the Commission's Rules for the Recordation of Documents.

The names and addresses of the parties to the enclosed document are:

Debtor

The Newport Star Clipper Limited Partnership
19 America's Cup Avenue
Newport, RI 02840

Secured Party:

Small Business Loan Fund Corporation
Seven Jackson Walkway
Providence, Rhode Island 02903
Attn: Robert E. Donovan
Administrator

Included in the railroad equipment covered by the aforesaid Security Agreement are railroad cars and other rolling stock intended for use related to interstate commerce, or interests therein, owned by Debtor at the date of said Security Agreement or thereafter acquired by it or its successors as owners of the lines of railway covered by the Security Agreement. A description of the railroad equipment owned by Debtor as of the date of said Security Agreement and covered by said Security Agreement is set forth in Exhibit A attached hereto and made a part hereof.

HINCKLEY, ALLEN, SNYDER & COMEN

The required recordation fee of \$13.00 is enclosed.

Please return one stamped copy of the enclosed document to

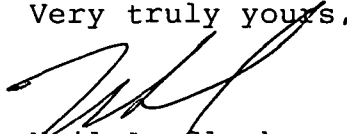
Neil A. Clark, Esquire
Hinckley, Allen, Snyder & Comen
1500 Fleet Center
Providence, RI 02903

A short summary of the enclosed Primary Document to appear in the Commission's Index is

Security Agreement dated October 20, 1988 between the Newport Star Clipper Limited Partnership, Debtor, and Small Business Loan Fund Corporation, Secured Party, covering railroad cars and other rolling stock owned by Debtor at the date of said Security Agreement or thereafter acquired by it or its successors as owners of the lines of railway covered by the Security Agreement. Rolling stock owned by Debtor covered by said Security Agreement as of the date of said Security Agreement are three (3) coach cars bearing AM 5412 AM 5431 and AM 6016 and one (1) power car bearing 52.

Should you have any questions concerning this matter, please do not hesitate to call the undersigned.

Very truly yours,



Neil A. Clark

NAC:bsj
Enclosures

EXHIBIT "A"

<u>Quantity</u>	<u>Description</u>	<u>Designation</u>
1	Coach	AM _____
1	Coach	AM _____
1	Coach	AM _____
1	Power Car	52

Interstate Commerce Commission
Washington, D.C. 20423

OFFICE OF THE SECRETARY

10/2]/88

Neil A. Clark, Esq.
Hinckley, Allen, Snyder & Comen
1500 Fleet Center
Providence, RI 02903

Dear

Sir

The enclosed document(s) was recorded pursuant to the provisions of Section 11303 of the Interstate Commerce Act, 49 U.S.C. 11303, on 10/21/88 at 2:35PM, and assigned recordation number(s). 15886 & 15887

Sincerely yours,

Nesta R. McEue
Secretary

Enclosure(s)

1 5886
REGISTRATION NO. 5886

ART 81 1988-2 25 PM

SECURITY AGREEMENT

INTERSTATE COMMERCE COMMISSION

THIS AGREEMENT is made this 20th day of October, 1988, by and between THE NEWPORT STAR CLIPPER LIMITED PARTNERSHIP, an Iowa limited partnership with its principal place of business at 19 America's Cup Avenue, Newport RI (hereinafter referred to as "Debtor"), and Small Business Loan Fund Corporation, a governmental agency and public instrumentality of the State of Rhode Island having a principal place of business at Seven Jackson Walkway, Providence, Rhode Island 02903 (hereinafter referred to as "Secured Party").

For good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties agree as follows:

I. DEFINITIONS

A. "Accounts Receivable" means all accounts, contract rights, notes, drafts, acceptances and all forms of obligations and receivables now or hereafter owed or belonging to Debtor for Inventory sold or for services rendered, all guaranties and securities therefor, all right, title and interest of Debtor in the Inventory which gave rise thereto, including the right of stoppage in transit, and all rights of the Debtor, earned or yet to be earned under contracts to sell Inventory or render services.

B. "Inventory" means all inventory, including all goods, merchandise, raw materials, work in process, finished goods, supplies, materials used or consumed in connection with the production thereof, and other tangible personal property now owned or hereafter acquired by Debtor and held for sale or lease or furnished or to be furnished under contracts of service or used or consumed in the business of Debtor as well as contracts and contract rights with respect thereto, documents representing the same, and the proceeds thereof.

C. "Equipment" means all machinery, equipment, furniture and fixtures now owned or hereafter acquired by Debtor and all spare and replacement parts and tools therefor, (including, without limiting the generality of the foregoing, all equipment listed on any schedule attached hereto).

D. "Intangible Property" means all instruments, documents of title, warehouse receipts, bills of lading, policies and certificates of insurance, securities, chattel paper, deposits, cash, patents, trademarks, trade secrets, contract rights, general intangibles and other property now or hereafter owned by Debtor or in which it may have an interest.

E. "Licenses" means all municipal, state and federal licenses and permits on which Debtor is named or in which Debtor has an interest.

II. SECURITY INTEREST

A. Debtor hereby grants to Secured Party a security interest in all now owned or hereafter acquired Accounts Receivable, Equipment, Inventory, Intangible Property, Licenses and any and all additions and accessions to and substitutions for and proceeds (including, without limitation, insurance proceeds) and products of the foregoing (collectively, the "Collateral").

B. The security interest granted hereby is to secure payment and performance of all Obligations at any time owing by Debtor to Secured Party. The term "Obligations" as used in this Security Agreement means and includes all loans, advances, debts, liabilities, obligations, covenants and duties owing by Debtor to Secured Party of every kind and description (whether or not evidenced by any note or other instrument and whether or not for the payment of money), direct or indirect, (whether as principal debtor, guarantor, or otherwise), absolute or contingent, due or to become due, now existing or hereafter arising, including, without limitation, the payment of the promissory note (the "Note") of the Debtor of even date herewith in the principal amount of Sixty-five Thousand Dollars (\$65,000.00), and the payment and performance by Debtor of all additional obligations contained or referred to in the Note, in this Agreement, or in any other document, instrument, or agreement securing the Note or the loan evidenced thereby or executed in connection with the Note or the loan evidenced thereby, any debt, liability or obligation owing from Debtor to others which Secured Party may have obtained by assignment or otherwise, and further including, without limitation, all interest, fees, charges, attorneys' fees, court costs and expenses of whatever kind incident to the collection of the Obligations and the enforcement and protection of the security interest created hereby, all future advances and interest thereon made by Secured Party for taxes, levies, insurance and repairs to or maintenance of the Collateral, all other monies heretofore or hereafter advanced by Secured Party to or for the account of Debtor at the option of the Secured Party, and all other present or future liabilities and indebtedness of Debtor to Secured Party of any nature whatsoever, liquidated or unliquidated, absolute or contingent and any extensions or renewals thereof.

III. REPRESENTATIONS AND WARRANTIES

Debtor represents and warrants as follows:

A. That Debtor has been duly organized and is existing as a limited partnership in good standing under the laws of its jurisdiction and is duly qualified and in good standing in those jurisdictions where the conduct of its business or the ownership of its properties requires qualification;

B. That Debtor has the power and authority to own the Collateral, to enter into and perform this Agreement and any other document, instrument or agreement delivered in connection herewith and to incur the Obligations;

C. That Debtor utilizes no tradenames in the conduct of its business;

D. That this Agreement and any document, instrument or agreement delivered in connection herewith and the transactions contemplated hereby or thereby have been duly authorized, and/or executed and delivered, as appropriate; and this Agreement and such other documents, instruments and agreements constitute valid and legally binding obligations of Debtor and are enforceable against Debtor in accordance with their respective terms;

E. That Debtor is not in default in the payment, performance or observation of any of its obligations, and no conditions exist, which if continued, would constitute such default; and

F. That Debtor has filed all federal, state and local tax returns and other reports it is required to file and has paid or made adequate provision for payment of all such taxes, assessments and other governmental charges.

IV. REPRESENTATIONS, WARRANTIES AND COVENANTS

Debtor represents, warrants and covenants as follows:

A. That except for the security interest granted hereby and except for Greater Providence Deposit, Debtor has, or in ^{FSY} the case of after-acquired Collateral, will have, good and marketable title to the Collateral free from any adverse lien, security interest or encumbrance; and that Debtor will defend the Collateral against all claims and demands of all persons at any time claiming the same or any interest therein;

B. That all warranties, representations, statements and other information furnished to Secured Party by or on behalf of Debtor are or will be when the same are made or furnished accurate and complete in all material respects;

C. That the Collateral is or will be kept at Debtor's address listed above, and that Debtor will not remove any of the Collateral from said location without the prior written consent of Secured Party;

D. That except for Greater Providence Deposit, no financing statement covering any of the Collateral or any proceeds thereof is on file in any public office, and that at the request of Secured Party, Debtor will join with Secured Party in executing one or more financing statements pursuant to the Uniform Commercial Code in form satisfactory to Secured Party and will pay the cost of filing the same in all public offices wherever filing is deemed by Secured Party to be necessary or desirable; and Debtor hereby irrevocably constitutes and appoints any officer of Secured Party, Debtor's attorney-in-fact to execute and file in the name and behalf of Debtor such financing statement or statements; 757

E. That Debtor will not sell, pledge, hypothecate, encumber, assign, or offer to sell or otherwise transfer the Collateral or any interest therein without the prior written consent of Secured Party except in the ordinary course of business. A sale in the ordinary course of business does not include a transfer in partial or total satisfaction of a debt;

F. That Debtor shall maintain insurance at all times with respect to the Collateral against loss by fire (including so-called extended coverage), theft, and such other casualties as Secured Party may require in a sum not less than the replacement cost of said Collateral, and in any event not less than the amount necessary to prevent Debtor from becoming a co-insurer under any applicable co-insurance provisions. In addition Debtor will have and maintain, in such form and with such companies and in such amounts as shall be satisfactory to Secured Party, insurance against such other losses as are customarily maintained by similar businesses operating in similar localities and under similar conditions as Debtor, including by way of illustration and not of limitation, flood, public liability, personal property, theft, workmen's compensation and collision insurance. Each and every policy of insurance shall insure Secured Party's interest regardless of any breach or violation by Debtor of any warranties, declarations or conditions contained in such policies.

All policies of such insurance shall be in such form as shall be satisfactory to Secured Party, shall be made payable in case of loss to Secured Party, shall provide that the same may not be altered or cancelled by the insurer except after thirty (30) days prior written notice to Secured Party, and shall, together with such certificates as Secured Party may from time to time request, be delivered to Secured Party to be held as collateral security for the Obligations. Debtor shall have free choice of agent and insurer through or by which such insurance is to be placed or written provided said insurer is authorized to write such insurance in the State in which the Collateral is located, has a licensed resident agent in said state, and has, at all times while this Agreement is in effect, a general policy-holder's rating of A or A+ in Best's latest Rating Guide. If any proceeds under any insurance policies are paid to Secured Party while any Obligations are outstanding, Secured Party may, at its option, pay over such proceeds to Debtor for the purpose of replacing the lost, damaged, or destroyed Collateral with respect to which such proceeds were paid. Secured Party may act as attorney for Debtor in obtaining, adjusting, settling, and cancelling such insurance or return premiums thereon. If Debtor fails to procure or maintain such insurance, Secured Party shall have the right, but shall not be obligated, to effect such insurance, in which event Debtor shall repay to Secured Party the cost thereof immediately upon demand, and until repaid these amounts shall be added to the unpaid principal balance of the Note, shall bear interest at the rate of interest set forth in the Note and together with such interest shall be secured by this Agreement and by any other agreements securing the Note.

G. That Debtor will keep the Collateral free from any adverse lien, security interest or encumbrance (other than those described in Section IV A above) and in good order and repair and will not waste or destroy the Collateral or operate or use the Collateral in violation of any statute or ordinance; and Secured Party may examine and inspect the Collateral at any reasonable time, wherever located;

H. That Debtor will pay promptly when due all taxes and assessments upon the Collateral or for its use or operation or upon any note or notes evidencing the Obligations;

I. That Debtor will permit Secured Party, through its authorized attorneys, accountants and representatives, to inspect and examine the books, accounts, records, ledgers and assets of every kind and description of Debtor with respect to the Collateral at all reasonable times;

J. That Debtor will furnish to Secured Party financial information in accordance with the Supplemental Agreement of even date herewith;

K. That Debtor will promptly notify Secured Party of any condition or event which constitutes, or would constitute with the passage of time or giving of notice or both, an Event of Default under this Agreement, and promptly inform Secured Party of any events or changes in the financial condition of Debtor occurring since the date of the last financial statement of Debtor delivered to Secured Party, which individually or cumulatively when viewed in light of prior financial statements, may result in a material adverse change in the financial condition of Debtor;

L. That Debtor will, at all times and from time to time at the request of Secured Party, do, make, and execute and deliver all such additional and further acts, things, deeds, assurances and instruments as Secured Party deems necessary or appropriate to more completely perfect or maintain perfected its security interest in the Collateral and/or to otherwise further vest in and assure to Secured Party its rights hereunder and in or to the Collateral and the proceeds and products thereof;

M. That Debtor hereby authorizes Secured Party to file financing and continuation statements with respect to the Collateral without the signature of Debtor whenever lawful;

N. That if all or any portion of the Collateral is a motor vehicle or vehicles otherwise subject to any certificate of title law, Secured Party, to the extent permitted by law, shall hold the Certificate of Title until payment in full of the Obligations;

V. DISCHARGE OF LIENS

At its option, Secured Party may discharge taxes, liens, or security interests or other encumbrances at any time levied or placed on the Collateral, and may pay for the maintenance and preservation of the Collateral. Any payment made or expense incurred by Secured Party pursuant to this provision shall be repaid to Secured Party immediately upon demand and until repaid these amounts shall be added to the unpaid principal balance of the Note, shall bear interest at the rate of interest set forth in the Note and together with such interest shall be secured by this Agreement and by any other agreements securing the Note.

VI. POSSESSION BY DEBTOR

Until the occurrence of an Event of Default hereunder, Debtor may have possession of the Collateral and use it in any lawful manner not inconsistent with this Agreement and not inconsistent with any policy of insurance thereon.

VII. DEFAULT

Debtor shall be in default under this Agreement upon the occurrence of any of the following "Events of Default": 1. Default in the payment of any sum due under the Note, whether at the due date thereof or by acceleration or otherwise, no prior demand therefor being necessary; 2. Default in the payment when due of any other Obligations; 3. Default in the performance or observance of any of the covenants, agreements or conditions contained or referred to herein; 4. Default in the performance or observance of any other Obligations or the occurrence of any event of default under any document, instrument or agreement evidencing such Obligations or executed in connection therewith; 5. Default in, the breach of or the proving false of any representation or warranty contained herein or in any other document, instrument or agreement now or hereafter entered into between Debtor and Secured Party or given by Debtor to Secured Party; 6. Substantial loss, theft, damage or destruction of the Collateral; 7. a. The insolvency or inability of Debtor or any other person, corporation or entity now or hereafter liable, absolutely or contingently, for the whole or any part of the Obligations (hereinafter referred to as "Other Liable Party") to pay his or its debts as they mature, or the appointment of a receiver, trustee, custodian or other fiduciary, for, or for any of the property of, or an assignment for the benefit of creditors by, or the making of or entering into a trust mortgage or deed or other instrument of similar import for the benefit of creditors by Debtor or any Other Liable Party; or the convening of a meeting of the creditors, or the selection of a committee representing the creditors of Debtor or any Other Liable Party; or b. The filing of a petition, complaint, or motion or the entry of an order for relief under any chapter of the Federal Bankruptcy Code, as the same now exists or may hereafter be amended (hereinafter referred to as the "Code"), by or against Debtor or any Other Liable Party; or c. The filing of a petition, complaint, motion or other pleading seeking any relief under any receivership, insolvency, or debtor relief law, or seeking any readjustment or indebtedness, reorganization, composition, extension or any similar type of relief, by or against Debtor or any Other Liable Party; or d. The entry of any judgment against, or the attachment or garnishment of any of the property, goods or credits of, Debtor or any Other Liable

Party which remains unpaid, undismissed or unbonded for a period of thirty (30) days, or if any foreclosure is instituted (by judicial proceedings, by publication of notice pursuant to a power of sale or otherwise) against Debtor under any mortgage or security agreement given by Debtor and remains undismissed or not terminated for a period of eight (8) days; or e. The merger or consolidation with any corporation by Debtor, or the death, dissolution, liquidation, or termination of existence of Debtor or any Other Liable Party; 8. Any material adverse change in the financial condition of, or act or omission of Debtor or of any Other Liable Party or any act or omission of an officer, director, partner or trustee of Debtor or such Other Liable Party which leads Secured Party reasonably to believe that performance of any of the covenants, agreements or conditions of the Note or this Agreement by Debtor is or may be seriously impaired; or 9. If at any time Secured Party reasonably shall consider the Obligations or any of them insecure or all or any part of any collateral therefor unsafe, insecure, insufficient, and Debtor shall not on demand furnish additional collateral or make payment on account satisfactory to Payee.

VIII. REMEDIES

Upon the occurrence of an Event of Default and at any time thereafter Secured Party may declare all Obligations secured hereby immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived; provided, however, that upon the occurrence of any Event of Default under Section 7.b. or 7.c. of this Agreement, all obligations secured hereby shall be immediately due and payable without presentment, demand or other notice of any kind, all of which are hereby expressly waived. Secured Party in addition to such other rights and remedies as are or may be set forth in this Agreement or in any other document, agreement or instrument between Debtor and Secured Party or in the Note, may exercise and shall have the rights and remedies of a secured party under the Uniform Commercial Code in effect in Rhode Island at the time of such default. Secured Party may require Debtor to assemble the Collateral and make it available to Secured Party at a place to be designated by Secured Party. Secured Party will give Debtor notice of the time and place of any public sale thereof or the time after which any private sale or any other intended disposition thereof is to be made. The requirements of notice shall be met if such notice is mailed, postage prepaid, to Debtor at its address set forth above at least ten (10) days before the time of the sale or disposition. Debtor shall pay to Secured Party on demand any and all expenses including all reasonable attorneys' fees and legal expenses

incurred or paid by Secured Party in protecting or enforcing its rights, powers and remedies hereunder or under any other document, instrument or agreement between Debtor and Secured Party or the Note, or in any way connected with any proceeding or action by whomsoever initiated concerning the protection or enforcement of such rights, powers and remedies.

Debtor understands and agrees that Secured Party may exercise its rights hereunder without giving Debtor any opportunity for hearing to be held before Secured Party through judicial process or otherwise, may take possession of the Collateral upon the occurrence of an event of default and Debtor expressly waives the right, if any, to such prior hearing.

IX. ACCOUNTS RECEIVABLE

If all or any portion of the Collateral is Accounts Receivable, Debtor hereby irrevocably appoints Secured Party and any other person whom Secured Party may from time to time designate, with full power and authority:

(i) to endorse Debtor's name on any checks, notes, acceptances, money orders, drafts or other forms of payment or security that may come into Secured Party's possession; to sign Debtor's name on any invoice or bill of lading relating to any Accounts Receivable, on drafts against customers, on schedules and assignments of Accounts Receivable, on notice of assignment, financing statements, and other public records, on verifications of accounts and on notices to customers; to notify the post office authorities to change the address for delivery of Debtor's mail to an address designated by Secured Party; to receive, open and dispose of all mail addressed to Debtor; to send requests for verification of Accounts Receivable to customers of account debtors, and to do all things necessary to carry out this Agreement;

(ii) to obtain from any computer or other billing agency or service any and all information relating to the Accounts Receivable, including without limiting the generality of the foregoing, copies of all trial balances, ageing reports, summary reports, and lists containing the names and addresses of account debtors; and

(iii) to insert in any mailing being made by Debtor or on behalf of Debtor to account debtors, such notices, letters, flyers or other notifications or insertions as Secured Party may desire.

Debtor hereby ratifies and approves all acts of such attorney and agrees that neither Secured Party nor any other such attorney shall be liable for any acts or omissions nor for any error of judgment or mistake of fact or law. This power, being coupled with an interest, is irrevocable so long as any Accounts Receivable assigned to Secured Party or in which Secured Party has a security interest remains unpaid or until the Obligations have been fully satisfied.

As long as Secured Party does not request that any of the account debtors on the Accounts Receivable be notified of the assignment thereof to Secured Party, Debtor shall make collections on the Accounts Receivable, hold the proceeds received from collections in trust for Secured Party without commingling the same with other funds of Debtor, and turn over such proceeds to Secured Party as requested by it in the exact form in which they are received together with a collection report in a form satisfactory to Secured Party when so requested. If any of said collections include checks, drafts or other payments payable to Debtor, they shall be duly endorsed, at Secured Party's request, by Debtor, Secured Party being authorized to endorse in the name of Debtor any instruments delivered to Secured Party unendorsed. Secured Party may in its discretion apply said cash proceeds to the payment of any of the Obligations or may release such proceeds to Debtor for use in its business. Secured Party may, however, at any time notify said account debtors that the Accounts Receivable have been assigned to it and shall be paid to it. Upon Secured Party's request at any time, Debtor will so notify said account debtors and shall indicate on all billings to said account debtors that the account is payable to Secured Party. Any proceeds of the accounts thereafter received by Debtor shall be turned over to Secured Party as requested by it in the exact form in which they are received.

X. MISCELLANEOUS

The captions in this Agreement are for convenience and reference only and do not define, limit or describe the scope of the provisions hereof.

The provisions of this Agreement may not be modified or terminated orally. Secured Party shall not be deemed to have waived or amended any of its rights or remedies hereunder unless such waiver or amendment be in writing and signed by it. No delay or omission on the part of Secured Party in exercising any such right or remedy shall operate as a waiver of such right or remedy or any other right or remedy. A waiver on any one occasion shall not be construed as a bar to or a waiver of the same right or remedy on any future occasion.

The rights and remedies provided the Secured Party in this Agreement and in any other document, instrument or agreement between the parties hereto shall be cumulative and shall be in addition to and not in derogation of any rights or remedies provided Secured Party in any such other document, instrument or agreement or under applicable law or otherwise.

All rights of Secured Party hereunder shall inure to the benefit of its successors and assigns; and all Obligations of Debtor hereunder shall bind its heirs, executors, administrators, successors and assigns.

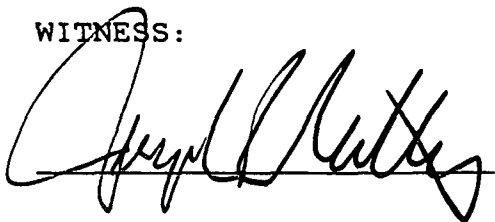
Every word herein purporting to the neuter gender only shall extend to and include males and females and every word herein importing the singular number only shall be construed to extend to and include the plural number also.

In the event any term or provision of this Agreement or the application thereof to any person or circumstance shall, to any extent, be held invalid or unenforceable, the remainder of this Agreement or the application of such term or provision to persons or circumstances other than those to which it is held invalid or unenforceable, shall be valid and enforceable to the fullest extent permitted by law.

The law governing this Agreement shall be the substantive law of the State of Rhode Island determined without resort to that state's conflict-of-laws rules.

IN WITNESS WHEREOF, Debtor and Secured Party have executed this Security Agreement, under seal, on the day and year first above written.

WITNESS:



THE NEWPORT STAR CLIPPER LIMITED
PARTNERSHIP

By: Frederick S. Tann

Title: GENERAL PARTNER



SMALL BUSINESS LOAN FUND CORPORATION

By: Robert E. Dwyer
Title: Secretary

SCHEDULE A

757

RAILROAD CARS OWNED BY
THE NEWPORT STAR CLIPPER LIMITED PARTNERSHIP

Coach Car	AM 5412
Coach Car	AM 5431
Coach Car	AM 6016
Power Car	52